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ABSTRACT

This paper, one of two related documents, is a summary of research presented to the Arizona state legislature concerning the participation of various states in the financing of capital outlay for school building construction. Along with a description of the various support programs, consideration is given to the questions of who determines need, how the monies can be used, and how the programs are funded. The six allocation procedures, which are accompanied by a brief description of each state program, include full state funding, approved project cost grants, state flat grants, state equalizing grants, state loans, and the use of school building authorities. Also discussed are the advantages and disadvantages of each allocation procedure. A final section analyzes determination of need in various states. (Author/LD)

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EQUITY IN STATE PROVISIONS FOR FINANCING CAPITAL OUTLAY

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EQUITY IN STATE PROVISIONS FOR FINANCING CAPITAL OUTLAY

> If we think there are inequities in state systems for funding current expenditures of public schools, wait till we examine the way we finance school buildings!
>
> (Governor Calvin Rampton, address to Utah Conference on School Finance, April, 1972.)[1]

During the 1970's,"the decade of school finance reform," many states reformed the methods by which they allocated state funds to local school districts in an effort to bring about greater equality of educational opportunity and equalization of resources among districts. However, in spite of the inequalities in financing capital outlay referred to by Governor Rampton, in most cases these reforms dealt only with equalization of current operating expenditures. Over the past five years, few changes have taken place in state aid for capital outlay expenditures. The fact that 13 states presently do not share at all in the funding of capital outlay "indicates extreme disequalization of both fiscal capacity and local tax burden, or, put another way, many of the existing state plans severely violate the principle of fiscal neutrality"[2] established by the courts in Serrano, Rodriguez and other decisions.

Arizona is one of the 13 states with no state participation in the financing of school facilities. In the winter of 1979-80, the Arizona Legislature was called into special session to consider problems related to school finance and tax reform. Because of the problem many districts, especially rapidly growing districts, were experiencing in meeting their facility needs, capital outlay was one of the areas identified for consideration for possible state aid. The Joint Select Committee on

School Finance and Tax Reform requested that an investigation be conducted of current practices among the states in supporting capital outlay and an analysis of the perceived advantages and disadvantages of each major practice. The Committee also felt it important that along with a description of the various support programs, that some consideration must be given to the questions of who determines need, how the monies can be used and how the programs are funded. In an effort to find the answers to these questions, the statutes of all the states were researched, as well as state studies and related literature. This paper represents a summary of that research which was presented as a larger report to the Arizona Legislature. The majority of this research and paper dealt with the various allocation procedures.

Allocation Procedures

The research revealed allocation procedures for state aid for capital outlay and debt service to be as varied as traditional allocation dimensions for current operating expenditures. State participation in the financing of capital outlay ranged along a continuum from full state assumption to no state participation. Hawaii, Florida and Maryland are the three states on the extreme of full state funding. Thirteen states (Arizona, Colorado, Iowa, Kansas, Louisiana, Montana, Nebraska, Ohio, Oklahoma, Oregon, South Dakota, Texas and Idaho) are on the other extreme of no state participation. Along the continuum, Washington and California are predominantly state funded, while Missouri and Wyoming have limited participation in the form of special purpose and emergency loans. The basic allocation procedures utilized by the states are: full state funding, approved project cost grants, state flat grants, state equalizing grants, state loans and school building authorities. In addition to these basic allocation procedures,

some states also have special purpose grant programs. For example, Missouri provides token grants for abandonment of elementary schools and for construction of central high schools. Massachusetts and New York also use grants as an incentive for reorganization. A discussion of these major allocation procedures as they operate in the various states and the advantages and disadvantages of each is presented in the following pages.

Full State Funding

Only three states attempt to provide full support of capital outlay and debt service. These states are Florida, Hawaii and Maryland. However, although legislation in both Florida and Maryland calls for complete support of capital costs, except for site purchase in Maryland, the programs have not been fully funded in either state. The Florida Comprehensive School Construction and Debt Service Program is financed by the Public Education Capital Outlay and Debt Service Trust Fund and administered by the state commissioner of education through the office of Educational Facilities Construction. The state commissioner of education annually determines the projected school plant and debt service needs of each school district based on projections of student membership, construction costs and revenues available. The actual appropriation that a district receives is in proportion to its percentage of the state total unmet needs. The Maryland School Building Construction Aid program provides that the state pay 100 percent of school construction costs beginning February 1, 1971 and the principal and interest payments on local and state debt created prior to June 30, 1967. However, in practice the state share varies between 62 percent and 100 percent among the districts. Even in Hawaii, the only state to have full state funding of education, counties are authorized to supplement state funds for school construction.

Advantages and Disadvantages of Full State Funding. Among the perceived advantages of full state funding are the following: (1) all costs for capital outlay are borne by the state as a whole where legal responsibility for schooling is focused, (2) significant local property tax relief would be afforded since local funds would not be required, (3) ability to furnish needed school buildings would no longer be dependent upon local fiscal capacity and all districts would thus have equal opportunity to provide adequate school facilities for their pupils, (4) all funds are allotted based on needs, (5) if borrowed funds are used, borrowing on a state basis will likely result in lower interest rates, and (6) most state funding is not tied to public referendums which have become difficult to pass.

Perceived disadvantages of full state funding include:[3] (1) the possibility that local districts will become fiscally irresponsible since only state funds will be allocated to projects, (2) local interest and initiative might be reduced or eliminated, (3) uniformity of expenditures among all school districts might result eventually in similar levels of mediocrity, (4) the potential drain on the state treasury and the political consequences to legislators who vote to impose increases in state taxes are formidable problems, (5) there would be probable need to increase the size of the staff of the state education agency in order to achieve more rigid control over school building projects, (6) power and control become focused in the State Education Agency, and (7) all citizens pay for capital outlay when some live in local school districts that have no needs and thus will see no direct benefits.

Approved Project Cost Grant

Seven states share the cost of capital construction projects with local school districts on the basis of a percentage of approved project cost. These states are Alaska, Connecticut, Delaware, Maine, New Hampshire,

Pennsylvania, Tennessee and Vermont. These states generally provide approximately half of all costs incurred, although interest costs are not eligible in New Hampshire. The proportion that the state will pay may be related to the type of faculty, e.g., special education versus regular classroom or new construction versus renovation, or it may be related to some measure of school district wealth. In most cases, a maximum state share for project costs is specified as well as what costs are eligible for sharing.

Alaska. The Alaskan Aid for School Construction Statute provides that each year the state shall allocate to an organized borough or city which is a school district 80 percent of principal and interest and cash payments during the fiscal year two years earlier for school construction. Districts can get an advance on their state capital outlay aid if they can meet specific criteria related to immediate need.

Connecticut. Connecticut law states that any town or regional school district, by a vote of its legislative body, may apply for a state grant for school construction. The percentage of grant money a local board of education (town) may be eligible to receive is based upon its ranking (1 to 169) in terms of adjusted equalized grand list per capita. Based upon such ranking, each town may receive a grant of not less than forty nor more than eighty percent of project cost. The entire cost of a regional vocational or special education center is paid for by the state as is the cost of constructing, remodeling, renting and equipping occupational training facilities, not to exceed $200,000 per project. In addition to school building project grants, districts may receive a grant based on the determined percentage for site acquisition of an approved site. The state also pays an interest subsidy for bonds issued after July 1, 1971 which the

districts issue to pay their share of capital projects. The interest subsidy is the lower of either the difference between 4 percent per annum and 6 percent, or the net interest cost on such bonds. Also, any school district having a school building project which it is unable to complete may apply for a "hardship" grant or loan for such a project.

The state issues bonds to finance the state grant program. They are to be sold at not less than par and accrued interest and the full faith and credit of the state is pledged to support the bonds.

Delaware. The state currently assumes 60 percent of the approved project cost (which includes site, construction, equipment and all fees) of most public elementary and secondary school construction. Vocational education buildings and all special education facilities (except those for educable mentally retarded) are paid for entirely by the state. Classrooms for EMR students are included in the regular program. In addition to state aid for new construction, the state pays 40 percent of costs incurred for minor capital improvements.

The state finances its share of project cost by the issuance of state bonds. The state also issues bonds to purchase local district bonds. The interest rates charged to the school district are not less than the rates paid by the state on its bonds, plus up to 1/4 of one percent per annum to cover administration expenses.

Maine. As of July 1, 1977, a district unit pays 5% of the total cost of construction or the equivalent of one mill multiplied by the unit's initial state evaluation, whichever is less. The district sells bonds in its name in the amount of the state's share and the state pays the bonds as they become due. All school construction is subject to approval of the

State Board of Education. The state board is authorized to approve projects as long as no project approval will cause state debt service costs to exceed $30,000,000 in any subsequent year. School construction projects approved by the state prior to July 1, 1977, including construction, debt service, and Maine Building Authority leases are also eligible for reimbursement.

In addition to the operation of a grant program, Maine operates the Maine Building Authority which builds school buildings and leases them to school districts. The authority is authorized to issue revenue bonds repayable from rentals.

New Hampshire. New Hampshire pays annually to local school districts which have not been cooperative or receiving districts for regional students, 30 percent of the annual payment on bond principal. No allowance is made for payment of interest. Supervisory union districts can receive an annual grant of 40 percent for construction of an administrative building. Cooperative districts and receiving districts operating an area school receive 40 percent plus 5 percent for each pre-existing district in excess of 2 and each sending district in excess of one, but in no event in excess of 55 percent.

Revenue for the state grant program comes from legislative appropriations. If in any year the state appropriate is not sufficient, the appropriation is to be prorated proportionally among the districts entitled to the grant.

Pennsylvania. The Commonwealth of Pennsylvania pays annually to each school district erecting or sharing in the erection of a building or building with the State School Building Authority, Municipal Authorities, or non-profit corporations for which the lease was approved on or after March 22, 1956, or through the incurring of bonded indebtedness on or after March 22, 1956, an amount to be determined by multiplying the district's capital

account reimbursement fraction (CARF) computed for the year 1967 or aid ratio, whichever is larger, by the approved reimbursable rental or approved reimbursable sinking fund charge.

The approved building construction cost for which reimbursement is made for all school building construction and lease agreements prior to July 1, 1966 but after March 22, 1956 is determined to be the lesser of the cost of constructing the facility or the product of the rated pupil capacity as determined by the Department of Public Instruction and $1100 in the case of elementary schools, $1700 for high schools or a prorated combination for combined elementary-secondary schools. For construction or lease agreements after July 1, 1966, these figures are changed to $2300 and $3000 accordingly. For area vocational-technical schools, the approved reimbursable rental charge or sinking fund charge is the product of $2200 for projects prior to July 1, 1966 or $3700 for projects subsequent to July 1, 1966 and the rated full-time pupil capacity of the facility.

Tennessee. Tennessee's program of state aid for capital outlay is based on the assumption that forty-two and one-half percent of the aggregate cost of the program for capital outlay for the state is available locally. To determine the cost of the capital outlay program for each LEA and for the state as a whole, a per capita amount per student in ADA fixed by the state commissioner of education is also used. The amount of funds which each county is assumed to have available locally is determined by applying the county's relative property value to the aggregate amount of funds assumed to be available locally. This amount is then subtracted from the aggregate cost of the capital outlay program for the county (per capita amount x ADA) and the remainder is the amount of the state capital outlay aid. These funds are then apportioned by the commissioner between all LEA's in the county on the basis of the ADA of each LEA during the preceding year.

Vermont. Upon approval of application to the state board of education, grants of thirty percent of the approved project cost for new plant construction or extensive additions or alterations are made to union school districts or academies, elementary schools or other approved schools. The state also pays 75 percent of the cost of construction, alteration or addition of special education classrooms. In addition to new construction, the state pays 20 percent of the annual payments on bond interest and principal. State revenues to support these programs are generated from the sale of the state bonds.

Advantages and Disadvantages of Approved Project Cost Grants. As stated previously, the majority of these state/local sharing programs are based upon a state grant of some percentage of approved project cost. The following are among the perceived advantages of such an approach: (1) districts could receive funds for immediate construction needs, (2) funds would be allocated on the basis of need, (3) school construction financing would be a shared state/local responsibility, (4) if a variable percentage is used, the degree of state participation could be formula determined, (5) local reliance on the property tax is decreased, (6) future indebtedness of the district is reduced, and (7) takes advantage of state financial resources while permitting the school building function to remain primarily in the hands of local officials.

Among the perceived disadvantages of this form of state/local sharing of capital outlay financing are: (1) large state appropriations would be needed initially, (2) only those with construction needs would participate, (3) no reward is given for prior construction, (4) some districts might be required to exhause bond potential in order to participate and, even then, depending upon how high the state's share is, might not be able to generate the local share, (5) local expenditure patterns might become distorted in

order for the local district to participate, and (6) state control over projects might become too prohibitive and the state agency bureaucracy might become larger and more cumbersome.

State Flat Grants

A number of states, typically located in the Southeast, participate in financing local district capital outlay programs through the flat grant approach. Flat grants may be allocated on a per ADA basis (Indiana and Missouri), per classroom basis (Kentucky), per pupil basis (Missouri and South Carolina), per weighted pupil basis (Nevada), per school-age child basis (Virginia), or per teacher unit basis (Alabama). In most of these states, funds are allocated only for state approved building projects that are actually under construction, although in a few states the flat grant could be retained by the district for future capital use.

Alabama. The Alabama flat grant for capital outlay is included in the minimum program allowance and is determined under regulations of the state board of education, based on the number of teacher units. At this time the flat grant is $64.87 per teacher unit.

Florida. In addition to its state capital outlay aid program which is designed to provide full state funding, Florida maintains the Capital Outlay and Debt Service Fund, a flat grant fund. Florida law specifies that the first proceeds of the revenues derived from the licensing of motor vehicles shall be distributed annually among the school districts on the basis of the number of instructional units. For distribution purposes, the 1967-68 school fiscal year was established as a base year with districts receiving $600 per instruction unit up to the 1967-68 total and $800 per instruction unit for those "growth" units above the base.

Indiana. Indiana distributes a flat grant of $40 per average daily attendance in grades 1-12 which can be used either for current operating expenses, debt service, or the cumulative building fund. The school district must file a statement with the state school property tax control board before June 1 of each year if it desires to use a portion of the flat grant for its cumulative building fund or if it desires to use a portion of the flat grant for current operating expenses and desires to collect property taxes to fund a portion of its debt service requirements.

Kentucky. Capital outlay funding by the Commonwealth of Kentucky utilizes a flat grant of $1,700 per classroom unit from the State Education Agency as the basic funding approach. State law specifies that the state grant funds be kept in a separate fund at the local school district level and only be used for capital outlay projects approved by the state superintendent of public instruction in accordance with requirements of law and based upon a survey made in accordance with administrative regulations of the state board. The fund may be spent for direct payment of construction costs, debt service, lease purchase agreements, retirement of any deficit resulting from over-expenditure for capital construction if such deficit resulted from a declared emergency, or a reserve fund.

Mississippi. Mississippi operates a simple flat grant program of $18 per child in average daily attendance. The grant funds are held at the state level but credited to each school district. Grant funds may be used for capital outlay construction or debt service. However, no funds accruing to any school district can be expended unless approved by the State Educational Finance Commission.

If a school district has capital improvement needs in excess of that which may be financed by the credit due it from the flat grant, it can apply

for an advance or loan against future grant allocations. Such advances or loans are at 2 1/2 per annum interest unless the state must pay a higher interest rate on the state funds which finance the program, then the rate of interest charged on such advances on loans is increased accordingly. The loans or advances are repayable, with principal and interest, from the annual grant allotment and from other funds as may be available. These loans do not constitute a debt within the meaning of the debt limitation statutes. The maximum amount which may be loaned or advanced is 75 percent of the estimated sum which will accrue to the districts from the grant allocation within 20 years.

Missouri. The Missouri flat grant program is in the form of two special purpose flat grants. The Reorganization Building Aid Fund provides an apportionment of $100 per pupil enrolled up to $50,000, not to exceed one-half the cost of buildings, additions, and equipment when such capital expenditure is made necessary by reason of reorganization. The Central Building Aid Fund provides a nominal grant of one-fourth the cost, up to $2,000, toward the construction of an approved central high school.

Nevada. The Nevada flat grant, like that of several other states, is not designed to be used exclusively for capital outlay or debt service. Instead, the guaranteed basic state support program, calculated on a weighted pupil basis, can be used for site purchase or rental, repair and construction of school facilities when approved by the State Superintendent of Public Instruction. In addition to the flat grant program, Nevada provides what might be considered state impact aid to any district where state employment of a parent or parents has a direct effect on the school population within the school district so that there is a need for new or improved facilities. The total population of pupils in ADA whose parents are state employees must

exceed 15 percent of the total district ADA and the district must have a bonded indebtedness exceeding 60 percent of its bonding capacity. In such a case, the grant amount is $1,200 per pupil in ADA whose parent or parents are state employees. Need must be approved by the state board of education. State bonds may be issued to finance this fund.

South Carolina. The South Carolina grant program operates as a grant from the General Assembly to the State Board of Education. The General Assembly annually allocates to the Board $30 per pupil for each pupil enrolled in grades 1-12 and $15 for each pupil enrolled in kindergarten during the previous school year. After deducting the amount necessary to pay principal and interest payments due that year on state school bonds, the balance is credited on the books of the Board to the school districts in proportion that each district's enrollment bears to the enrollment of the state as a whole. The sums credited to school districts remain available to them until requisitioned by them for purposes approved by the Board. They can be used for financing capital improvements approved by the Board and to pay principal and interest on bonds and notes issued for capital improvements approved by the Board.

Virginia. The Virginia flat grant program, like others, is not specifically a flat grant for capital outlay. The program provides that 1 percent of the net funds derived from the state sales and use tax be distributed on the basis of school age population (currently approximately $144 per ADM) for maintenance, operation, capital outlay and debt service expenditures. Virginia also aids school districts by the Virginia Public School Authority purchasing school district bonds at interest rates favorable to districts.

West Virginia. The Better School Buildings Act provides capital outlay funds to each county district on the basis of the total of the following:

(1) a flat grant of $200,000 per county, (2) a flat grant of $239.2722 per pupil enrolled in grades 1-12 and in special education (net enrollment), and (3) a grant of $239.2722 per pupil in net enrollment multiplied by the district's assistance ratio. The assistance ratio is defined as the state bond potential per pupil divided by the county bond potential per pupil and the result multiplied by .8971819. Revenue to support this program of state aid are levied from the sale of state bonds. The grants may be used solely for construction, renovation, site acquisition and preparation or equipping of school buildings. Grant funds may not be used for debt service.

Advantages and Disadvantages of State Flat Grants. Flat grants, although not recognizing variations in school district wealth, can do much to solve the basic problems of intergovernmental fiscal relations. Among the advantages of the use of flat grants are: (1) the majority of control can remain with the local school district, thus avoiding centralization while, (2) funds are obtained from statewide revenue sources, rather than the local property tax, thereby providing property tax relief, (3) future indebtedness of the district is reduced, (4) they are easily administered and understood by the public and school staff, (5) all districts can participate, (6) some districts can accumulate funds to meet future needs, (7) state costs can be easily anticipated for the future, and (8) local school districts can engage in future planning since income is known in advance.

The perceived disadvantages of flat grants include: (1) grants can allow local school districts to become wasteful and abdicate financial responsibility, (2) need is not considered, thus some districts can possibly receive money not needed for current programs while other districts will have needs beyond the grant funds provided, (3) once initiated, continued pressure exists not only to continue, but to upgrade the amount of the grant.

State Equalizing Grant

An increasing number of states have made efforts to distribute state funds for capital expenditures through formulas that are sensitive to variations in district wealth. States using the equalizing approach usually represent states that have also implemented equalizing state aid programs for general operation expenditures. Though these states do not fund the full costs of capital outlay, they do support a greater proportion of capital costs in less wealthy districts. State equalizing grants are usually allocated on the basis of some ratio relating the district's assessed valuation to the statewide assessed valuation or on the basis of a guaranteed yield per pupil or per mill.

Illinois. The Illinois Capital Development School Construction Act provides for a state grant for capital outlay based on a percentage equalizing basis. A grant index equal to 1 minus the ratio of the district's assessed valuation to the assessed valuation of the district at the 90th percentile determines the state share of approved projects. The minimum state share is 20 percent and the maximum is 70 percent. In addition to the above construction grants, the state also provides for debt service grants to eligible districts. The debt service grant is determined by multiplying the capital outlay grant index times the annual principal and interest payment of the district and will provide up to one-half existing debt service. Districts must have constructed a facility after January 1, 1969 and make application. Revenue for the grant program is obtained from the sale of state bonds.

Massachusetts. Massachusetts provides school construction grants to cities, towns, regional school districts, or counties on an equalized approved project cost basis. The construction grant for any approved school project in cities or towns is 50 percent of the final approved cost multiplied by a

percentage equal to the proportion of the district's equalized valuation per attending child to the state average, provided that the portion of the grant which is for interest shall not be less than 40 nor more than 65 percent of that part of the approved cost which consists of interest, and the remainder of the total construction grant shall not be less than 50 percent nor more than 65 percent of the remainder of the grant excluding interest. The construction grant for a regional school district which enrolls grades K-12 is 60 percent of the final approved cost, multiplied by the ratio of the district's equalized valuation per attending child to the state average but in no case less than 50 nor more than 75 percent. The construction grant for a regional school district which does not include grades K-12 varies from 50 to 65 percent. If the facility is required for desegregation efforts, 100 percent is paid by the state. The state pays its share of bond principal and interest in annual installments.

Michigan. Michigan allocates grants for debt service on the basis of equalized mills. The maximum amount reimbursable in 1978-79 is computed by multiplying the equalized millage by the membership, and multiplying the product by the amount by which $40,000 exceeds the state equalized valuation per membership pupil of the district. The number of mills to be equalized is computed by: (1) dividing the amount of the district's total obligation per debt service and building and site by the membership, and dividing the result by $40,000, and (2) adding 1 mill for payments due to the state, when applicable, for loans made from the School Board Loan Fund. The number of mills when added to the operational millage or 26 mills, whichever is lesser, shall not exceed 26.4 mills.

New Jersey. The New Jersey School Building Aid Law provides grants for purposes of debt service and capital outlay. The state's grant is the

total of the district's debt service and capital outlay expenditure for the pre-budget year multiplied by the current expense state support ratio. The equalized support ratio is obtained by dividing the district's equalized valuation per pupil by the guaranteed valuation per pupil at the 65th percentile and subtracting one. If the product is less than zero, the district receives no support.

New Mexico. The Public School Capital Improvements Act authorizes state grants to be made to school districts for school building construction, remodeling, equipping and maintenance (exclusive of salaries of school district employees). The state grants to school districts an amount equal to the amount by which the revenue estimated to be received from a tax levy of one or two mills is less than $35 per mill times the district's ADM. The grant is made only for the initial year that the tax is imposed, although the levy can be up to a maximum of three years.

New York. New York provides grants for approved capital expenditures in compliance with standards established by the state department of education. Grants are based upon rated pupil capacity of buildings and cost allowances for schools housing grades K-6, 7-9, or 10-12. The cost allowances are updated by a monthly index of the cost of labor and materials and are expressed in dollars per pupil in rated capacity. The amount of the state grant is determined by adding the amount of the district's base year approved expenditures for capital outlays and its current year approved expenditures for debt service and multiplying the sum by its aid state ratio. The state aid ratio is calculated by dividing the full assessed value per resident weighted ADA by the state average full assessed value per weighted ADA, multiplying the quotient by .51 and subtracting from 1.000. For reconstruction on modernization projects, the net amount of the grant is not to exceed 50 percent of the cost allowance for new construction.

New York also provides incentive aid to school districts to reorganize. Reorganized districts are entitled to 25 percent additional building expense aid, not to exceed 95 percent of approved expenditures for capital outlay and debt service. No aid is paid to districts scheduled for reorganization unless the aid will not impede reorganization.

Rhode Island. The Rhode Island School Housing Aid Program Fund provides aid to districts for approved new construction, plus an allowance for construction completed between June 30, 1949 and January 1, 1960, less federal aid. Each year the state pays to each district a grant equal to the sum of the following: (1) 1/20th of the cost of approved new construction and an equal amount for each of the next 19 years times the school housing aid ratio; (2) 1/20th of the cost of each school housing project completed after June 30, 1949 and an equal amount for each of the next 19 years less the number of years prior to June 30, 1960 that the project was completed times the school housing aid ratio, and; (3) 75% of the remainder, if any, of the total costs for the payment of school housing commitments after the deductions of payments due from (1) and (2) and the yield of three dollars per thousand on equalized weighted assessed valuation for the next year preceding that in which payment is made. The state housing aid ratio is calculated by (1) multiplying the ADM in grades 1-12 for the state fiscal year next preceding that in which aid is to be given by $350, (2) deducting the yield of 13.28 mills of equalized weighted assessed valuation, and (3) the ratio that (2) bears to (1) shall be the housing aid ratio, provided that in no case shall the ratio be less than 30 percent. The housing aid ratio is increased by 2 percent for each regional school district and 5 percent for housing facilities for vocational training in communities other than regional school districts.

Utah. The School Building Equalization Act of 1977 contains provisions for the participation of the state of Utah in the financing of capital outlay by several methods. The basic method of participation is through the allocation of a state equalization grant. The state grant to each school district is the lesser of the continuing formula amount or the critical formula amount. The continuing formula amount is defined as 15 percent of the weighted pupil unit amount for the previous school year multiplied by the number of weighted pupil units in the basic minimum school program for the current year, plus 40 percent of the bonds redeemed during the current year, less the revenue from a 13.5 local levy. The critical formula amount is defined to be 33 percent of the district unmet critical school building needs plus the bonds redeemed and interest paid during the current year, less the 13.5 mill levy. Unmet critical school building needs means the estimated cost to eliminate occupancy and structural hazards and educationally intolerable and overcrowded conditions less all available building funds including revenue from bond sales committed to building projects not included in updated critical school building needs and the difference between net bonds outstanding and 95 percent of the district's bonding capacity.

The second way by which Utah provides capital aid to school districts is by the critical school building program. To qualify for assistance under this program the school district must meet the following additional requirements: (1) the cost of the critical school building program must be greater than the cost of the continuing school building program; (2) levy a tax of at least 18 mills which shall include the qualifying levy of 13.5 mills, and; (3) commit uncommitted building funds at the close of the fiscal year immediately preceding the year for which application is made to the critical school building program.

The third way by which Utah provides capital outlay assistance is by the school building revolving account. This account advances funds to school districts which qualify for participation in the school building state supported program. To receive advance funds a district must: (1) bond to at least 95 percent of capacity; (2) levy at least 18 mills for capital outlay purposes for the period of the fund advance; (3) be unable to complete a school building project or part thereof with existing district bonding and all other resources; (4) contract with the state board to repay the advance within five years with future state building funds or local revenue funds, and; (5) meet any other conditions imposed by the state board.

Washington. Washington provides state aid for approved costs of construction and modernization of school plant facilities on a percentage equalizing basis. The state's share of the approved project cost is computed by the following formula: The ratio of the school district's adjusted valuation per full time equivalent pupil divided by the ratio of the total state adjusted valuation per full time pupil shall be subtracted from three, and then the result of the foregoing shall be divided by three plus (the ratio of the school district's adjusted valuation per full time equivalent pupil divided by the ratio of the total state adjusted valuation per full time pupil). If the state board finds that additional state assistance is needed by a particular board to meet emergencies or urgent or special needs, they may grant such additional funds. The total amount of the state allotment in any case shall not exceed 90 percent of approved project cost nor be less than 20 percent.

Wisconsin. State aid for capital outlay in Wisconsin is included in that portion of general aid designated as non-operating sharable cost. Capital outlay from current-year levy is included in sharable cost, as is up to $90 per pupil for debt service. The state's share is based upon the district's net guaranteed valuation.

Advantages and Disadvantages of State Equalization Grants. This method of state participation in the financing of capital outlay has more advantages than disadvantages. The major disadvantage is that a high level of state support is required if the program is to be successful. The major advantages of this program are: (1) problems resulting from unequal tax resources among districts are alleviated and extremely low levels of service or excessive local tax burdens can be avoided; (2) all but the wealthiest districts would receive some state support, thus tax relief is afforded most districts; (3) state support would enhance the marketability of local bonds, and; (4) local effort is still required, thus extravagant use of state funds is unlikely.

State Loans

Ten states provide direct loans to school districts for approved capital projects. In contrast to grants, state loans result in a debt which is payable in the future. Such loans generally carry a fixed interest rate, usually somewhat lower than would be required if obtained by the school district alone. Local districts are required to repay the loan over a fixed period of time. Most states operating loan programs require that districts be taxing themselves for capital outlay expenditures at a certain minimum tax rate or bond themselves at a certain level in order to qualify for the state loan. However, in Michigan, districts must be taxing themselves at a certain rate for both capital outlay and current operating in order to qualify for a loan.

Arkansas. Currently Arkansas provides loans to school districts from a Revolving Loan Fund for: (1) the refunding of legally issued and outstanding bonds, provided that a substantial savings in gross interest charges can be thus effected; (2) the refunding of legally issued and outstanding debts; (3) the payment of major repairs and construction additions; (4) the purchase

of surplus buildings and equipment, and; (5) the purchase of sites, facilities and equipment. Six percent is charged for such loans - the highest state loan rate in the nation.

Funds for the Revolving Loan Program come from bonds issued by the state board of education and the permanent revolving school fund. The state board is also authorized to borrow up to $2,000,000 from the State Treasury to finance the loans.

In addition to the Revolving Loan Fund, Arkansas also operates an Emergency Loan Fund which loans up to $125,000 to districts who have no borrowing capacity and who have suffered a loss of facilities as a result of fire or natural disaster with insurance insufficient to replace the loss.

California. The California State School Building Aid Program provides loans to school districts for site acquisition and building construction. The school district must receive voter approval before incurring the indebtedness. Priority for allocation of funds is based on acuteness of overcrowding, sudden growth, or local effort in terms of proportion of total tax funds expended for school construction. A school district must exceed 95 percent of its bonding capacity to be eligible. The state loan funds are obtained from the sale of state bonds. The title to the property remains with the state until the loan is repaid. The repayment period is up to 30 years.

Indiana. In addition to its flat grant program, Indiana operates three loan programs. The Veterans Memorial School Construction Fund was established as a revolving loan fund by a one time appropriation of $1,500,000 in 1955. The maximum amount of the loan is $250,000 unless: (1) the school district has an adjusted assessed valuation per pupil in ADA of less than $8,400; (2) the district's debt service tax rate would exceed $3.00 per $100 of assessed valuation; and, (3) the School Property Tax Control Board recommends a waiver

of the loan limitation. To be eligible for a loan, a district must have levied at least 5 mills for debt service for at least 3 years prior to application and must be at 90 percent of its maximum debt limitation. Repayment of principal plus one percent interest is withheld by the state from the district's state basic grant distribution and transferred directly to the Veterans Memorial Fund. Loans are not made to build schools whose enrollments in grades 1-8 would be less than 30 per grade or in grades 9-12 would be less than 270.

The Veterans Memorial School Construction Fund Disaster Loan is a revolving loan fund which loans monies to school corporations which have suffered a disaster loss which makes all or part of the school building(s) unsafe for school purposes. The total amount of the loan fund, a one time appropriation, is $3,000,000. The loan must be repaid within 20 years at an annual interest rate of one percent of the unpaid balance. The amount of repayment is withheld by the state from the district's state basic grant distribution.

The Common School Building Fund is also a revolving loan fund established by a one time appropriation, in 1959. The amount of the loan is not to exceed $2,000 per pupil, including the funds to be provided locally, up to a $750,000 maximum loan amount. The maximum dollar amount may be waived if the district meets the same criteria for waiver as established for the Memorial Construction Fund. Repayment of principal plus interest of not less than 2 1/2 nor more than 4 percent per annum on the unpaid balance is made over a maximum period of 20 years and is withheld by the state from the district's semi-annual state basic grant distribution. To be eligible for a loan, a district must have raised by bond issue and/or cumulative building fund levy, an amount equal to at least 2 percent of the adjusted assessed valuation.

Michigan. The Michigan Constitution provides that the State School Board Loan Fund administered by the State Department of Education may issue bonds

for the purpose of making loans to school districts for the purpose of debt service only. A school district may borrow each year all or part of the difference between what 13 mills will generate and what it needs for principal and interest payments on qualified bonds for that year. The school district must also be levying not less than a prescribed minimum levy for operating purposes to be eligible for a loan. When a district's debt service requirements fall below what 13 mills produces, it must continue to levy 13 mills until it has repaid the state loan. One mill of those levied for loan repayment is equalized for purposes of the state basic allocation.

Minnesota. Minnesota statutes provide that any school district in which the required levy for debt service in any year will exceed its maximum debt service levy by 10 percent or by $5000, whichever is less, is qualified for a debt service loan in an amount not exceeding one percent of the net debt of the district, and not exceeding the difference between the required and the maximum effort debt service levy in each year. The loans bear an interest rate determined by the commissioner of finance annually, at the multiple of one-tenth of one percent per annum next higher than the average annual rate payable on Minnesota state school bonds outstanding, but in no event less than 3 1/2 percent per annum on the unpaid principal. Each district receiving a debt service loan must levy for debt service in that year and each year thereafter, until all its debts to the fund are paid, the amount of its maximum effort debt service levy or the amount of its required debt service levy less the amount of any debt service loan that year, whichever is greater.

Minnesota statutes also provide that to the extent monies are from time to time available, capital outlay loans will be made to school districts for the purpose of site purchase and for acquiring, bettering, furnishing, or

equipping school buildings. Capital outlay loans must be approved by a majority of the voters of the district. Terms of repayment are the same as for debt service loans.

North Carolina. In North Carolina the State Board of Education may make loans from the State Literacy Fund for the purpose of aiding in the erection and equipment of school plants, maintenance buildings and transportation garages. Loans are repayable in 10 annual installments at a uniform rate determined by the State Board of Education, not to exceed six percent.

North Dakota. Although classified as a state loan program, the North Dakota program, like the Wyoming program, operates very similar to a school building authority. The state board of public education administers the State School Construction Fund. Revenue for the Construction Fund comes from state apportionments. The local board enters into a lease contract with the state board for the facility constructed and improved by the state board. The rental from the district is applied to the total cost of the construction or improvement until the full amount expended by the state is repaid together with 2 1/2 percent interest per annum. Upon full payment of all rentals, the state board delivers title or bill of sale to the district. Districts applying for a loan must at that time be levying a mill levy which the board has determined is sufficient to provide for the repayment of the loan within 20 years (20 mills) and must have an existing bonded indebtedness to the maximum permitted by law (presently 10 percent of assessed valuation). Districts cannot borrow more than thirty percent of the taxable valuation of the district and in no case over one million dollars.

Virginia. In addition to its flat grant program, Virginia authorizes the state board to loan money from the State Literacy Fund for the purpose

of constructing, enlarging or altering school facilities. The maximum amount of the loan is $1,000,000. Repayment of principal and interest, not to exceed three percent per year, is made annually over a pe.iod of from five to thirty years.

Wisconsin. The Wisconsin State Trust Fund makes loans to school districts for the operations and maintenance, construction and alterations or additions of school facilities as well as refunding of bonds. In order to qualify, districts must obtain approval of their applications from the commission of public lands and have an indebtedness, including that of the proposed loan, not in excess of the statutory debt limitation of 10 percent of equalized valuation. Loans may be for a period of up to 20 years at an annual interest rate of not less than 2 percent (currently 5.5 percent).

Wyoming. The Wyoming loan fund (Emergency School Construction Assistance Fund) is administered by the State Farm Loan Board which approves or disapproves applications for loans. The source of revenue for the fund is the Common School Permanent Land Fund. The school district rents the facility from the Farm Loan Board and has the option of repurchasing such facility at the original cost. Loans can be made for periods of up to 20 years at 3.25 percent interest. In order to be eligible for a loan a school district must have a school building emergency need which is beyond the financial capacity of the district to meet by other means. In addition, the bonded indebtedness of the district must have reached 95 percent of the statutory limitation within 3 years of the time of application.

Advantages and Disadvantages of State Loans. Advantages of state loan programs include: (1) capital outlay funds are obtained from revenue sources with a broader base than the property tax; (2) if financed by state bonds borrowing is more economical because the state can ordinarily borrow funds

cheaper than local school districts; (3) local millage for debt service can be limited by state loans for debt service; (4) if the loan is not included in state debt limitations, restrictive debt limitations can be overcome; (5) to the extent funds are available, funds are available when needed; and (6) loan qualification criteria can permit systematic facility planning at the state level and only approved projects need be included.

Among the disadvantages of state loan programs are: (1) loan funds are too limited in most states to meet anything but the most critical needs; (2) the property tax remains the source for financing capital outlay; (3) subjective rather than objective criteria for awarding loans tends to exist; (4) loan programs are often a stop-gap approach to solving a more pressing statewide problem, and; (5) local control can be weakened through loan requirements.

School Building Authorities

The final procedure by which states provide aid to local school districts in meeting capital needs is by the use of building authorities. School building authorities may operate at either the state or local level. In fact, the first school building authorities were at the local level, in Indiana and Kentucky, in the 1920's. A school building authority is not a governmental agency, but is "a public or quasi-public corporation having power to perform some or all of the functions without pledging the faith and credit or tax revenues of a governmental unit; issue authority bonds for public school purposes, construct public school buildings, lease public school buildings to local public school administrative units, and transfer title to such units."[4] A significant difference between school building authorities and other public authorities is that school building authorities finance and construct, but do not operate schools. A school building authority obtains funds by sales of revenue bonds. Since it is not a governmental agency, state and local debt limits need not apply.

In Pennsylvania, many of the revenue bonds sold by building authorities are sold to the state public school employees board. In Maine and Pennsylvania the bonds are limited to a 40 year term. Lease and lease-purchase contracts with local school districts provide the revenue by which the revenue bond principal and interest payments are made. In Maine and Pennsylvania rental payments are guaranteed by the state in the event of default by local districts. States which operate state building authorities allow school districts to use state capital outlay grant funds to meet the terms of the lease contract with the building authority.

In addition to state school building authorities, agencies in two states, which are normally classified as loan fund agencies, in fact operate similar to a state building authority. The Wyoming State Farm Loan Board which administers the Emergency School Construction Assistance Fund and the North Dakota State Board of Public School Education which administers the State School Construction Fund both essentially operate as building authorities.

Local building authorities are used in a number of other states. In Kentucky the local fiscal agent (county or city, depending on the type of district) may also act as a building authority to school districts, serving as a non-profit agency which issues revenue bonds for school construction and enters into a lease agreement with the school district. In addition to the state building authority, Pennsylvania also has Municipal Building Authorities. The New York City Educational Construction Fund provides for construction of public schools in combined-occupancy buildings. The Fund constructs joint-tenancy facilities, issues revenue bonds, and leases to the agencies or firms occupying the facilities. The city eventually becomes the owner of the school portion of the facility. The Fund has first lien on state school aid to New York City. Bonds are limited to 40 years. The Boston Public Facilities

Commission and the Chicago Public Building Commission have also engaged in school construction and lease-purchasing with local school districts.

Advantages and Disadvantages of School Building Authorities. States which use school building authorities cite numerous advantages from use of this method of providing for school construction. Among these are: (1) restrictive debt and tax rate limits can be bypassed; (2) authorities, because of their corporate structure, can more readily effect a mixture of local, state, federal and corporate funds; (3) lease-rental or lease-purchase agreements to not create further debt; (4) lease payments can be paid for from state grant funds thereby relieving the local property tax, and; (5) in some states, voter approval, which has become increasingly difficult to obtain, is not required.

Some of the criticisms or disadvantages of school building are that: (1) they are cumbersome; (2) revenue bonds, since they are not supported by the full faith and credit of the district require higher interest rates than general obligation bonds; (3) the bypassing of debt limits can be used as a means of avoiding issues regarding taxation and finance; (4) if payments are to be made from local funds, they ignore the right of the public to express approval or disapproval relative to further indebtedness, and; (5) financing through an authority creates additional costs as compared to general obligation bond financing.

Determination of Need

Any state contemplating participation in financing local school district capital outlay programs would be required to devise a basis for determining need and approving project costs. Determination of need is a quantitative projection of the number of students to be housed, and a qualitative assessment of the educational programs to be accommodated and an evaluation of the

buildings and sites already existing. Various states have specific enumerations of what must be included in the needs study. For example, Georgia law requires that each school district have a comprehensive and annually-updated facility inventory that includes, but is not necessarily limited to, location and size of each parcel of land owned by the district; design-type and year of construction of each building upon such parcels, and; size, number of designed teaching stations and number of designed student stations for each room in such buildings. In addition, a local facilities plan must be completed which shall include a description of all new facilities needed seven years hence; a list of facilities projected for abandonment for said period of time; a description of needed facility renovations during said period; a description of needed expansion of existing facilities during said period; the results of all considerations concerning the merger of small and inefficient facilities and the merger of programs for students of low-incidence conditions, and; such other similar facility improvements as the State Board may deem necessary. Finally, a state statute requires that at least once every five years each district complete a comprehensive survey of capital facilities needs for seven years hence which shall include needs resulting from growth, development patterns, obsolescence, and program improvements and expansions.

The educational facilities study required for state approval of capital outlay expenditures in Kentucky is conducted by the Kentucky Department of Education in every school district at five year intervals. Although its components are not spelled out in statute, they are by regulation. They are: (1) community characteristics, including location, size, comparative expenditures, salaries, pupil/teacher ratios, etc.; (2) pupil information, including school census for last five years and a linear projection for the next eight years; (3) financial data for the district, such as, assessments, tax rates, permissive taxes, special voted building taxes, and state foundation capital

outlay allotment; (4) educational programs, which includes grade organization, high school course offerings, and special services such as principal, secretary or lunch service; (5) buildings and grounds, which includes descriptive data such as acreage, terrain, construction data, heat type and utilities; (6) transportation data related to busses, drives and loading areas, and; (7) recommendations related to school organization and programs, school centers, and priorities for capital outlay expenditures.

No matter what process is used to determine need, the real issue in determination of need is not the process, but who is responsible for accomplishing the process, i.e., who determines the need---the state or the local school district. A continuum of possibilities exist between the two extremes. On one extreme, the local school district can have complete responsibility for planning of capital outlay. The other extreme would be for the state to determine all local school district capital needs. Cooperative processes anywhere between these two extremes are also possible.[5]

Examples exist of states which function at both extremes and along the continuum. Normally, states which do not participate in the funding of capital outlay have no involvement in the determination of needs. All needs analysis is the responsibility of the local school district. On the other extreme is a state like North Carolina. Capital outlay needs are determined by a state education agency team. There are certain advantages and disadvantages associated with either complete local or state determination of need. If the local district determines need, the concept of local control of schools is maintained, local acceptance of the needs identified may be easier, more citizen and staff involvement is likely, there is a greater understanding of local conditions and, since local funds are usually involved, local decision making is more reasonable. On the other hand, if the state is responsible

for needs determination, they have the advantage of possessing a team of experts which most districts would not have available, they are not as subject to local politics, consistent application of subjective judgements is more likely and, if state funds are involved, they have an obligation to be involved.[6]

Georgia and Delaware are examples of states between the two extremes of complete local or complete state needs determination. Needs are determined by the local school district, but submission of a formal plan to the state education agency is required. The state also makes staff available to assist in the planning process. Thus, while the local school district is charged with the task of needs determination and the state with monitoring, a spirit of cooperation is emphasized.[7]

Once the state has either determined the need or approved the locally determined need, the approved project cost must be determined. Approved project costs would be determined from the application of objective formula incorporating standardized space and facility requirements, as well as state or regional construction indices. An alternative approach would be to use the actual costs of construction, site acquisition costs, architectural fees, site development costs of sewage treatment facilities and cost of equipment. Statutory provisions or agency requirements might provide for exclusion of specified items such as site development, movable equipment, swimming pools, or auditoriums and spectator gymnasiums. Objectivity in state programs requires that these exclusions and limitations be clearly defined by statutes, rules or regulations.[8] Most states allow districts to provide for these excluded features out of district funds.

Once the cost of the project has been approved, it is then included in the state foundation equalization program, state grant program, state loan

program or a program of full state funding. If the state program is to be in the form of a grant program, the units of need---whether pupil, classroom, or instructional unit---should be expressed in the same form as in the basic state aid program for current operation. This will facilitate administration of the program and development of understanding on the part of legislators and local school officials.[9] A national survey conducted by the NEFP found no state with grant programs where the project cost was exclusively locally determined.[10] The very descriptor, "approved," implies that some state agency has the final decision as to the project cost which will be the basis for state participation.

States with loan programs also require that the need, nature and cost of the proposed project be approved before the loan is given. All state loan programs require the local school districts to submit applications for the loans and all states except Wisconsin consider district need and indebtedness as factors in allocating the loan funds. In states which utilize building authorities, need must also be approved by the state before the project is constructed. In Georgia, need for the facility is determined by the same process of local survey and state approval as is used for the state grant program. In Pennsylvania, also, projects must be approved by state school officials. In Maine, not only must the state approve, but a majority of the electors of the district must approve before the district can enter into a lease agreement with the state building authority.

The three states which provide for full state funding of capital projects also require that some state approval be given for the proposed project. For example, Florida law stipulates that state capital outlay funds can only be expended on construction projects that utilize state board approved prototype-design criteria or plans that have been previously approved by the department of education and used by the district.

Use of Proceeds

Several options for the use of allocated state capital outlay funds are appropriate. State grant funds are often placed in a construction account in local districts or if not needed for some time, are usually invested as reserve funds until needed. If an immediate need for funds does not exist in the local district, the funds may be held in escrow at the state level until the local district has a project underway or has incurred debt that is scheduled for repayment. Usually state grants can be used for either capital outlay or debt service. However, New Hampshire's program stipulates that the funds can be used only for bond principal. Some state programs, such as Kentucky, Georgia, Maine, and Pennsylvania permit the payment of lease-purchase from the allocated funds. And, although the primary purpose of the state grants is to aid with school construction, a few states, such as Indiana and Kentucky, permit such grant funds to be used to meet current operating costs. Although this alternative may be in conflict with legislative intent, it allows districts which have made prior effort and have no current or projected need to put the funds to effective use.

As far as the use of state loan monies, each state operating a state loan program, except Michigan, permits the use of the loan funds for capital outlay. The Michigan program provides only for debt service needs in excess of the revenue obtained from a local debt service tax levy of 13 mills, provided the district is also levying 12 mills for current operating expenditures. Minnesota loans money for both capital outlay and debt service, while Arkansas and Wisconsin permit the loans to be used for both refunding of existing debt and for capital outlay.

Source of Funds

The ultimate source of revenue for local school districts in financing school facilities is the local property tax. However, whenever state funds

have been made available for local school district capital outlay, they have usually been derived from non-property taxation or from non-tax sources. Sources of funds for state grant programs may be appropriations from state general funds, earmarked state tax revenues, proceeds of state bond issues or the income from the permanent state funds. The three basic sources of funds for state loan programs are appropriations from state general funds (Indiana and North Dakota), state bonds (California, Michigan and Minnesota) and permanent school funds (North Carolina, Wisconsin and Wyoming). State loan programs that are based exclusively on state permanent funds are usually inadequately financed. The amounts available are usually small and fixed and bear little relationship to the needs of school districts.[11] Arkansas has an unusual twist in allowing the State Board of Education to borrow up to $5 million from the Teacher Retirement System to supplement the permanent school fund resources used in their loan program.[12]

Other funds for financing building projects of local school districts have been derived from sources such as city building authorities, municipal authorities and regional or state agencies which utilize revenue bonds as a principal source of funds. Building authorities also obtain funds from legislative and local appropriations, state permanent and retirement funds and sales of stock.

Private sources of funds for school construction are used occasionally in a few states. Lease-contracts are sometimes entered into with corporations, insurance companies, investment firms and commercial groups.[13]

Conclusion

An examination of the statutes of the states relative to state support of capital outlay leads to the general conclusion that most state programs fall far short of meeting the principle of fiscal neutrality. Thirteen states

provide no support, while several others offer only limited loans. And, while flat grants help all districts, they are not equalized and therefore have limited value in solving the inequities problems in capital outlay financing. Building authorities offer a solution to oppressive debt and tax limits but financially poor districts still have problems providing the funds for the rental agreements. Only a few states include capital outlay aid as part of the foundation program or on an equalized basis. And, only three states attempt to provide full state funding for capital outlay. Thus, the property tax which supports local school district bonds remains the major source of funds for school construction. This means, of course, that whatever variations in fiscal capacity exist among school districts will be reflected in their ability to meet capital outlay needs. Thus far the courts have not become involved in correcting these inequities. However, should state legislatures not assume what would seem to be their responsibility in ameliorating these inequities, it is hard to feel confident that they will not soon enter this arena.

FOOTNOTES

[1]As quoted in: W. Montford Barr and William R. Wilkerson, Innovative Financing of Public School Facilities (Danville, IL: The Interstate Press and Publishers, Inc. 1973), p. 35.

[2]William R. Wilkerson, Problems and Issues of Fiscal Neutrality in Financing School Construction (Washington, D.C.: School Finance Task Force, U.S. Office of Education, Department of Health, Education and Welfare, mimeographed, 1973), p. 5.

[3]Ibid, p. 9

[4]Montford Barr, et. al., Financing Public Elementary and Secondary School Facilities in the United States, Special Study No. 7, National Educational Finance Project (Bloomington, IN: Bureau of Surveys and Administrative Studies, Indiana University, 1970), p. 176.

[5]The Equalization Study Advisory Committee of the State Superintendent of Public Instruction and the Equalization Study Staff of the Kentucky Department of Education, State Plan for Equalization of Financial Support to Public Education (Lexington, KY: Kentucky Department of Education, 1978), p. 25.

[6]Ibid., p. 27.

[7]Ibid., p. 26.

[8]Barr, et. al., op. cit., pp. 231-32.

[9]C.M. Bernd, William K. Dickey and K. Forbis Jordan, "Revenue Requirements for School Transportation Programs and School Facilities," Educational Need in the Public Economy (Gainesville, FL: The University of Florida Presses, 1976), p. 251.

[10]Barr, et. al., op. cit., pp. 154-55.

[11]Ibid., p. 167.

[12]Ibid., p. 164.

[13]Ibid., pp. 72-73.